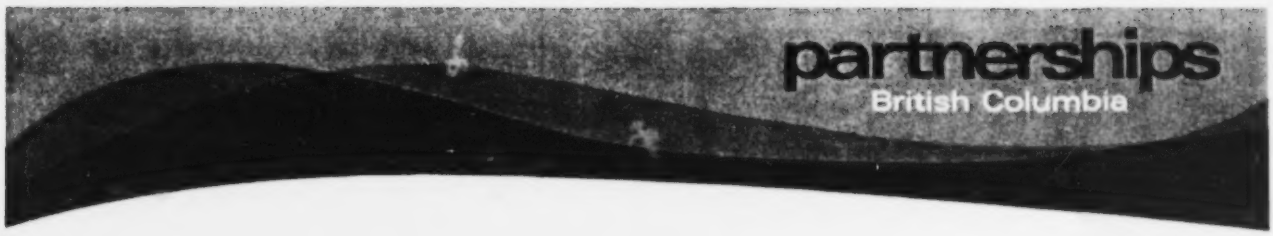

2006/07 – 2008/09

SERVICE PLAN

106-04281/

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Message from the Chair

We are pleased to present the service plan for Partnerships British Columbia Inc. (Partnerships BC) for the period April 1, 2006 to March 31, 2009. The plan outlines the corporation's goals and plans for the three fiscal years.

After its third full year of operation, the company is continuing to achieve tangible results and has emerged as a Canadian leader for public private partnerships. Partnerships BC is continuing to build upon the experience of projects which reached financial closing last year and which are now under construction or in operations (namely the Sierra Yoyo Desan Resource Road; the Academic Ambulatory Care Centre; the Abbotsford Regional Hospital and Cancer Centre; and the Britannia Mine Water Treatment Plant).

This fiscal year, new projects of clients of Partnerships BC have reached financial closing including the W.R. Bennett Bridge; the Sea-to-Sky Highway Improvement Project; the Kicking Horse Canyon – Phase 2 Highway Improvement Project; and the Canada Line Rapid Transit Project. New Projects currently in the competitive selection phase include the Northern Sport Centre; the Resort Municipality of Whistler's Advanced Wastewater Treatment Plant; Royal Roads; and Translink's Golden Ears Bridge Project. Numerous other projects are in the development stages in the transportation, health care, education and tourism sectors that will provide much needed infrastructure for communities and regional economies in British Columbia. The investment in public private partnerships projects to date is $3.5 billion, of which $2 billion is private sector financed.

As Partnerships BC has grown as a company and as a centre of expertise, its reputation for being a leader in the application of public private partnership solutions has been demonstrated through the project awards received and the advisory work it is doing with other jurisdictions and levels of government.

Partnerships BC continues to operate under the business model developed in 2004/2005. The company is organized in a manner which best enables it to focus on continuing to create new partnership opportunities, developing the public private partnership market, and developing and maintaining high standards of client service and public disclosure. This model is supported by the recruitment and retention of an experienced professional core, and the implementation of sound operational systems to meet governance and financial accountability requirements. Whether working on new or continuing projects, Partnerships BC has made client focus an essential element of every project. In addition to the value added to the public through the continued development of partnership solutions, the company continues to become more efficient and focused on productivity.

While Partnerships BC has continued to focus on its core business of delivering public private partnership solutions, and striving to maintain commercial viability, the need to ensure that project costs are kept to a minimum has resulted in a revision of Partnerships BC's corporate goals and vision for 2006/2007. The new vision statement:

> "*Partnerships BC structures and implements public private partnerships which serve the public interest. The company is committed to commercial viability, transparent operations, and achieving excellence through innovation, leadership and expertise in public procurement.*"

is intended to better reflect the need for the company to achieve commercial success while ensuring a strong focus on shareholder and public interest goals by passing through to its clients the efficiency gains that result from the Partnerships BC business model. The corporate goals and associated strategies identified for the upcoming fiscal year reflect this refinement in perspective.

Partnerships BC's 2006/07 Service Plan continues to build upon the foundation established in the three previous years, and therefore places a high priority upon finalizing contracts for the projects that are currently in the market, developing new projects that offer opportunities to strengthen and improve public infrastructure, and realizing the benefits of the centre of expertise. The 2006/07 Service Plan continues to be focused upon achieving value for money for taxpayers by :

- The timely delivery of more capital projects;
- Increasing competition and innovation in procuring major capital assets;
- Transferring appropriate risks to the private sector;
- Maintaining fair, open and transparent procurement processes;
- Expanding the use of performance standards in government and serving the public interest by maintaining these standards on an ongoing basis; and
- Attracting international expertise and capital to B.C.

These initiatives will be led by our team of skilled employees with oversight by our diverse and experienced Board of Directors. Partnerships BC will continue to strive to advance its projects, develop new ones and realize the benefits of what we believe is an exciting approach to building a stronger B.C. economy and providing more effective services to the people of B.C.

Partnerships BC's 2006/07 – 2008/09 Service Plan was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act*. The Board will hold management accountable for the contents of the plan, including the selection of performance measures and targets, and for ensuring that Partnerships BC achieves its specific objectives identified in the plan. The plan is consistent with the Government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks as of February 2006 have been considered in preparing the plan.

Sincerely,

Rick Mahler
Chair

January 31, 2006

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Introduction

Public private partnerships (partnerships) are a procurement alternative within the Provincial government's strategy for delivering capital assets. In the right application, they can provide an opportunity to improve and modernize public services infrastructure while delivering better value for money than traditional procurement methods.

The Province of British Columbia's Capital Asset Management Framework encourages public sector agencies to consider all potential ways to meet their service delivery goals, and to choose the method that meets those goals most effectively. Along with traditional methods, agencies are required to consider creative approaches such as leveraging assets, making better use of existing facilities, seeking more efficient ways of delivering public services, and pursuing options such as public private partnerships.

Partnerships are contractual arrangements between government agencies and private partners, combining the best of both partners' experience and expertise, and allocating project risks to the partner best able to manage them.

The overriding objective in pursuing a partnership is value for money. Research has shown that partnerships can deliver improved products at optimal lifecycle costs and can benefit all parties, including taxpayers. The private sector benefits from new business opportunities in a growing market. The Provincial government achieves more effective procurement, service enhancements and innovation, cost savings and risk transfer, while retaining responsibility for public service delivery and the public interest on an ongoing basis.

British Columbia continues to be on the leading edge of the development of partnership markets. A growing economy, strong policy foundation, and the advantage of learning from the public private partnership experience in other jurisdictions positions British Columbia favourably to enable optimal investment in public capital projects.

Organizational Overview

Partnerships BC was created in May 2002 to support the Provincial government's strategic plan to deliver public services effectively and affordably. The company's vision is to structure and implement public private partnerships which serve the public interest. Partnerships BC is committed to commercial viability, transparent operations, and achieving excellence through innovation, leadership and expertise in public procurement.

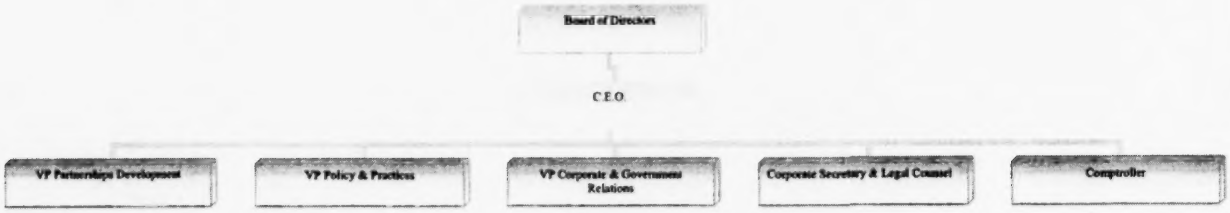
Partnerships BC is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its shareholder, the Province of British Columbia, as represented by the Minister of Finance. The company is incorporated under the *British Columbia Business Corporations Act* and its core business is to:

- provide expert services to the Provincial government and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management, to overall project management;
- identify new opportunities to enhance the effectiveness of major capital asset procurement through public private partnerships;
- foster a business and policy environment for successful public private partnerships by offering a centralized source of knowledge, understanding, expertise and practical experience in public private partnerships; and
- manage an efficient and leading edge organization that meets or exceeds performance expectations.

The company's primary clients are public sector agencies, including ministries, crown corporations, health authorities and advanced education institutions, plus other governments including local government. Partnerships BC provides services directly through its own expertise and also by utilizing external consultants where specialized advice is required. As Partnerships BC acquires greater expertise and experience, and client relationships are enhanced, opportunities to deliver services more effectively and efficiently will increase. Partnerships BC continues to build strong relationships with private sector partners such as developers; investors; the advisory and financial services sector; and providers of construction, engineering and facilities management services.

The company's organization, staffing and governance reflect and support this union of public and private sector interests to best serve public needs. For example, Partnerships BC project directors and consultants have a mix of skills and expertise from both sectors, and the company has offices in both Vancouver and Victoria accordingly to serve both sectors effectively.

The company's high level organizational structure is as follows:



Partnerships BC currently employs 38 full time equivalent staff and utilizes in-sourced contractors as required. To respond to business needs, Partnerships BC is structured into several strategic service units that support the company's project focus and operational requirements: Partnerships Development; Corporate and Government Relations; and Policy and Practices. Company operations are supported by a financial administration unit (including human resources and information systems) and a corporate secretary and legal counsel function. These business units, and their primary functions, are described in the table below.

Functional Accountabilities				
Partnership Development	Policy and Practices	Corporate and Government Relations	Corporate Secretary and Legal Services	Financial Administration
• Manage partnership development initiatives • Develop new public private partnership structures and opportunities • Manage client coverage and service quality • Establish terms of engagements	• Develop and implement policy and best practices • Provide procurement services • Market Partnerships BC best practices • Manage corporate planning initiatives	• Manage government and external corporate relations • Manage corporate and project communications • Lead work with other provinces to develop the partnership market	• Board governance • Corporate legal services • Project legal and risk management support	• Prepare financial statements • Maintain management information system • Monitor relevant business benchmarks • Manage audit • Provide human resource services • Maintain information systems
Project Teams: Project Directors, Project and Communications Consultants				

A performance-based human resource strategy has been developed and implemented, such that all employee individual performance plans are tied directly to corporate

performance. In addition, corporate performance is benchmarked against comparable professional services firms in the private sector.

Partnerships BC has implemented corporate and individual performance goals that support the objectives of each of the service areas. In addition to their responsibilities for specific projects, employees, as part of their performance evaluations, are responsible for assisting with partnership development, corporate and government relations, and the development and retention of best practices.

Company officials will continue to participate in seminars, public speaking engagements and conferences. Partnerships BC has updated its web site, including new information on current and completed projects, Value for Money Disclosure Reports, and best practices. Partnerships BC also continues to expand its business directory, further supporting the growth of public private partnership awareness and capacity.

Board and Board Committees

The mandate of the Board is to provide guidance to the management of Partnerships BC, make strategic decisions, and report to its shareholder on the operations of the company. The board consists of the following directors:

Harold Calla
Celia Courchene
Jim Dinning
Dan Doyle
Rick Mahler (Chair)
Ellen Morfitt
Charles Jago
Barry Lapointe
Carol Stephenson

The Board of Directors is supported by two subcommittees:

The Audit and Risk Management Committee has oversight over key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the annual service plan, annual business plan, operating and capital budgets, and any budget presentations to government. The committee also reviews the company's risk management, internal controls and information systems. The committee members are Ellen Morfitt (Chair), Barry Lapointe, Harold Calla, and Dan Doyle.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters, and the establishment of a plan of continuity and development of senior management. The committee also provides a focus on corporate governance to enhance the performance of the company. The committee members are Charles Jago (Chair), Carol Stephenson, Celia Courchene, and Jim Dinning.

Products and Services

Partnerships BC's products and services are critical to the Province's ability to undertake the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services, and capital.

Partnerships BC was created to centralize and develop public private partnership expertise, documentation, processes and experience – for the benefit of all of Partnerships BC's clients and ultimately British Columbia taxpayers. As a government-owned entity, with an experienced and highly qualified Board of Directors, Partnerships BC has a high degree of understanding and insight into both the public and private sectors, thereby providing a strong capability to validate public private partnership proposals from a commercial perspective.

In order to achieve this goal, Partnerships BC provides a full spectrum of services ranging from business case and procurement advisory services to comprehensive turnkey project and contract management where required by a client. This flexible approach allows clients to focus on their core businesses and accountabilities while Partnerships BC focuses on the administrative and contractual requirements of managing a public private partnership process. Specific service offerings include:

- business case development and feasibility assessments;
- procurement management;
- best practices documentation, procedures and experience;
- development of new partnership structures;
- partner identification and market sounding;
- project management; and
- advice on a range of issues such as:
  - contract negotiations;
  - government approval processes;
  - communications; and
  - managing partnership contracts (i.e. post financial close).

Strategic and Planning Context

Vision

Partnerships BC's vision is to structure and implement public private partnerships which serve the public interest. The company is committed to commercial viability, transparent operations, and achieving excellence through innovation, leadership and expertise in public procurement. It works with public sector agencies and private sector partners to create agreements that combine the best aspects of private sector expertise and public sector stewardship by:

- selecting partners through a competitive, fair and transparent process that delivers the best product or service at the best price;
- ensuring the transfer of appropriate risk;
- instilling a pay-for-performance system based on the private sector's ability to meet standards set by government;
- serving the public interest in each project; and
- attracting international expertise and capital to British Columbia.

The following corporate values guide Partnerships BC's approach to leadership and its service offerings:

Values	Corresponding Leadership Philosophy
Obtaining Value for Money	• explore and encourage innovation, new ideas and partnerships for infrastructure solutions that result in value for money
	• explore opportunities to increase social, economic, environmental, or other benefits derived from infrastructure investments
	• continue to improve efficiency and productivity, targeting industry benchmarks
Serving the Public Interest	• ensure that public interest issues such as safety, privacy, and transparency are assessed and protected in developing solutions to infrastructure challenges
	• provide public agencies with tools and support to identify, evaluate, allocate and manage risk effectively
Competition and Transparency	• improve the appeal of the British Columbia market so as to maximize the number of qualified bidders for partnership opportunities
	• ensure that all activities engaged in by Partnerships BC and its staff maintain the highest levels of fairness and openness
Strong Accountability	• measure and report on performance at all levels
	• recognize achievement and develop best practices from lessons learned
Respect and Integrity	• focus on clients, provide leadership, encourage teamwork and value diversity and differences of opinion
	• protect confidentiality of commercial information

General Planning Context

A number of factors have changed the strategic context in which Partnerships BC will be operating and planning in the upcoming year and beyond. The Canadian partnership market is expanding and developing, with new public delivery institutions formed in both Ontario and Quebec; many new projects announced in other jurisdictions; many new market participants expanding and locating across the country; and a heated construction market in British Columbia generally and in the lower mainland in particular. While there continues to be public debate regarding the acceptability of partnerships across Canada and internationally, British Columbian public private partnerships continue to achieve high value for money propositions.

Other significant factors impacting Partnerships BC's strategic environment relate directly to the fiscal situation and infrastructure requirements of the majority of its clients. For example, the Province of British Columbia's planned infrastructure growth in long term care, ambulatory care, acute care and primary access care, along with 25,000 post-secondary seats, and other infrastructure initiatives such as the Pacific Gateway, provide numerous opportunities for Partnerships BC to assist clients to add value to projects while serving the public interest. Moreover, provincial policy requirements and fiscal conditions are resulting in provincial clients considering alternative financing mechanisms as higher value for money solutions.

Risk Management

A number of factors will affect Partnerships BC's ability to realize its objectives in the coming years, presenting both risks and opportunities. As described below, the company has developed strategies for managing risks while pursuing opportunities.

As part of its internal risk management process, Partnerships BC has adopted the Enterprise-Wide Risk Management (ERM) methodology as developed by the Risk Management Branch of the British Columbia Ministry of Finance - which includes a calenderized risk schedule, so that risk management is conducted systematically throughout the year.

The risk profile faced by Partnerships BC is similar to previous years, although inflationary pressures and capacity in the construction industry remain significant concerns. In addition, increased competition on projects in other jurisdictions presents both a risk and an opportunity for the company.

Both internal and external business risks remain, and the most important risks will require a structured and considered response.

Key risks and their corresponding mitigation measures, as identified through Partnerships BC's ongoing approach to risk management, are as follows:

Scope of business, focus and client base

Partnerships BC was created as part of the Provincial government's strategic plan to deliver public services more efficiently. While the Province is seeking to deliver a

variety of services in more effective methods, Partnerships BC is focused on capital infrastructure, and only provides services to public sector clients. Despite the significant market potential for public infrastructure development in British Columbia and beyond, the specialized product offering and client base of Partnerships BC does impose certain business risks. For example, lags in project flow pose challenges from a revenue and resource planning perspective in both the short term and long terms.

Actions to manage risk and optimize opportunities related to business scope include:

- focusing on providing quality outcomes to existing clients to increase confidence and encourage future engagements;
- consulting regularly with government agencies to continually understand their needs and identify project opportunities;
- applying rigorous business case analysis to ensure that qualitative factors such as a project's social, environmental and public interest impacts are identified and addressed along with financial impacts and service outcomes;
- working to expand Partnerships BC's potential client market to include other levels of government and other jurisdictions; and
- communicating the value of public private partnerships so that the broader public service will consider their use.

Public private partnership market and capacity

The public private partnership market in Canada is still in the relatively early stages of development. Internationally, the market has matured in some countries such as the United Kingdom and Australia while it is still emerging in others.

As a result, capacity in B.C. is growing and competes with other jurisdictions. In addition, strong growth in construction activity in B.C., nationally and internationally, means Partnerships BC must continue to work to attract private companies to the market.

External factors will therefore play a significant part in Partnerships BC's success and the company may face challenges related to:

- growth of public private partnership markets in competing jurisdictions;
- general private sector interest in public private partnerships worldwide;
- development of private sector public private partnership capacity within B.C.;
- capacity and inflationary pressures in the construction sector within B.C.; and
- British Columbia population growth and demographic shifts.

To meet these challenges, Partnerships BC will develop relationships with stakeholders and business partners and will standardize practices to support market development. The company will work to understand the international market and broaden the Canadian market through the following research and outreach activities:

- continue to develop relationships and consult with other public private partnership stakeholders to ensure the continuous transfer of knowledge related to best practices, and to develop standardized and consistent approaches to reduce transaction and bid costs in order to make BC a more attractive market for both clients and bidders, and to support the development of a vibrant B.C. public private partnership community;
- continue holding discussions with other provincial governments to broaden the Canadian public private partnership market and enhance the expansion of best practices in order to make broader Canadian market more attractive to bidders
- continue to engage in dialogue with, and monitor the activities of, public private partnership organizations and stakeholders around the world. For example, jurisdictions such as the United Kingdom and Australia have mature public private partnership markets and Partnerships BC is learning from their experiences;
- ensure rigorous project budgeting to address project specific risks such as construction cost escalation;
- encourage business-partnering opportunities within and outside B.C. through education and awareness;
- conduct research and assess market interest in advance of project implementation as a key step in business case analysis to ensure the presence of a viable market; and
- involve the academic community to analyse the British Columbia project experience in order to further develop best practices.

Internal experience and capacity

In addition to the external market capacity risks described, Partnerships BC is continually building the experience and skill sets it needs to be a leader in providing public private partnership products and services. At the same time, Partnerships BC faces the challenge of balancing service demand with its corporate capacity to ensure successful performance at both the project and organizational levels. To meet these challenges, the company has developed a human resources approach that:

- ensures Partnerships BC's professionals develop the right mix of skills and expertise for the expected project flow and corporate responsibilities, and draws expertise from both the public and private sectors;
- emphasizes and facilitates continuous learning and improvement and includes the development of a corporate knowledge management system that makes best practices readily available to all staff so they have the tools to be successful;
- optimizes staff retention and works to minimize personnel turnover
- includes targeted and relevant training for staff; and
- benchmarks human resource management strategies against comparable public and private sector organizations.

Reputation risk

Reputation is compromised when an organization's performance, ethics or experience with stakeholders suffers. The ability of Partnerships BC to provide quality service and foster market growth is directly tied to the reputation of the company and the demonstrable success of its projects. A strong reputation will attract more clients, improve relationships, and generally assist with the growth of the market in B.C. and Canada.

Partnerships BC employs the following risk mitigation strategies to address reputation risk:

- Partnerships BC is functionally organized to focus upon the use of best practices in all Partnerships BC activities to help ensure quality of service and successful projects;
- Partnerships BC places a high priority upon disclosure and transparency;
- Partnerships BC regularly seeks feedback from all market participants and clients and ensures that concerns and criticisms of its operations are addressed, and that corporate strategies are aligned with stakeholder expectations;
- Partnerships BC has in place strong operational and internal controls;
- Partnerships BC will continue to ensure that its Board and staff operate at the highest levels of integrity.

Management and Operational Risks

As a knowledge-based professional services company, Partnerships BC's ability to serve its clients is dependant entirely upon its ability to harness and direct that knowledge. As a result, Partnerships BC faces a number of business risks relating to information management. Furthermore, Partnerships BC manages a significant volume of contracts on behalf of its clients. Systems must be robust, and continuity plans must be in place in the event that there are disruptions to service.

Partnerships BC employs the following risk mitigation strategies to address management and operational risk:

- Continually updating and improving its management and financial information systems and related processes;
- Addressing office shut down and transportation issues by the effective use of portable systems such as laptops and remote server access;
- Working to improve server performance and the implementation and management of back-up systems;
- Addressing information systems related risks; and
- Implementing improved contract management processes and establishing best practices in contract management.

Objectives, Strategies and Performance Measures

As Partnerships BC has matured, it has adjusted its corporate goals as an organization to reflect the evolving vision of the company and its Board of Directors. For example, in the 2004/2005 Service plan, Partnerships BC refined its goals to reflect the stage of growth at which the company was operating – focusing on revenue generation and market growth. For the 2006/2007 to 2008/2009 planning period, Partnerships BC has worked with its shareholder to reassess and reorganize its goals to ensure that they are completely consistent with the objectives of the shareholder and are optimally focused on government priorities, such as minimizing project costs.

Partnerships BC has restructured and simplified its previous six goals and strategies and consolidated them into three goals, with primary emphasis given to the structuring and implementation of public private partnership solutions (as outlined in Appendix 1 – Changes to Goals and Measures). The three goals are as follows:

- Structure and implement partnership solutions which serve the public interest (60%)
- Encourage development of the public private partnership market in British Columbia (15%); and
- Remain commercially viable and increase productivity (25%)

The accompanying percentages have been set by the Board for the purposes of performance management.

These goals are described below, along with the company's strategies for achieving them. Performance measures and targets for each goal are listed in the chart on page 21.

Performance measures are both qualitative (e.g. those related to market development) and quantitative (e.g. industry derived measures of financial performance and productivity). This balance reflects the company's commitments to meeting the objectives of its annual Financial Plan together with meeting broader public interest and longer term objectives.

Measures and targets will be refined and further improvements will be made in the years ahead as Partnerships BC becomes a more mature organization. Partnerships BC collects and utilizes data from reliable independent and government sources in its development of targets for the performance measures in the Service Plan. The company provides quality assurance in the development of all aspects of the Service Plan. The company monitors the performance of the measures in the Service Plan and introduces corrective actions as necessary to ensure that it achieves its goals set out in the Service Plan.

Goal 1 – To structure and implement public private partnership solutions which serve the public interest

Partnerships BC's primary mandate is to enable and facilitate public private partnerships that benefit British Columbians, both economically and in terms of protecting the public interest. Partnerships BC's success in structuring and implementing public private partnerships is measured by its ability to meet project milestones, and the number and type of new projects it initiates.

Partnerships BC shares with its public sector clients a commitment to managing its projects such that the public interest is served. Given that public private partnerships often involve large, high profile, complex projects, it is essential that the public interest is not only served, but seen to be served. All stakeholders must have a degree of comfort with the process involved in bringing a public private partnership project to fruition. To achieve this, the company is committed to ensuring that its operations and projects are delivered in the most transparent manner possible, demonstrating fairness, integrity and value for money – while protecting confidential information and commercial interests.

These are not simple objectives, given the commercial complexity that often accompanies a public private partnership project. However, Partnerships BC is committed to ensuring that its operations and projects meet these objectives.

Partnerships BC is committed to ensuring that public sector clients are provided with the highest standard of service available, and that they are satisfied with the quality of services. To ensure that this is happening, the company will focus on the following objectives and strategies:

Objectives

- meet milestones in existing client engagements, or as amended by the client
- develop new business and enter into new engagements (i.e. contracts with clients)
- grow revenue
- meet or exceed client expectations
- demonstrate value for money in all projects
- ensure all processes are transparent, fair and competitive

Strategies

- continue to build and improve upon relationships with public sector client agencies
- through business development efforts, ensure that a wide client group is aware of the potential benefits of public private partnerships
- continually seek out business opportunities with new, potential and existing clients
- undertake business development for Partnerships BC's services beyond core provincial government client agencies

- formalize methods for obtaining and measuring client input (this includes identifying what clients value most from Partnerships BC and ensuring that client feedback translates into service improvements that meet or exceed expectations)
- develop business plans that provide a solid foundation for decision making, based on assessment of a full range of quantitative and qualitative factors
- ensure that business plans incorporate rigorous financial analysis, risk assessment and management tools to ensure that project risks are properly identified and appropriately allocated and managed
- publish a Value for Money Report and, as appropriate and requested by the client, a Report of the Fairness Auditor following the financial closing of each project, and disclose all documentation not deemed to be commercially sensitive
- continually assess and appraise the quality of services provided by Partnerships BC with clients, external stakeholders such as public private partnership service providers (e.g. advisors), project participants and private partners

Performance Measures

- Revenue growth
- Partnerships BC's performance meets or exceeds client expectations
- Number of engagements
- Project milestones achieved
- Publish Value for Money Report on all projects after financial close has been reached
- Publish fairness and probity opinions on projects where size and scope warrants fairness review

Goal 2 – Encourage development of the public private partnership market in British Columbia.

The benefits of public private partnership solutions can only be fully realized on a broad scale when there is a strong client base and project flow, and sufficient number and quality of market participants to bid on those projects. Market participants must have collectively not only the technical skill and financial resources to competitively bid on projects, but must be able to identify innovative and creative solutions. British Columbia is already reaping the benefits of market development in the public private partnerships arena – however, continued growth and development will be necessary to address infrastructure issues across the province.

One of Partnerships BC's broad objectives is to create a world class centre of excellence and expertise for public private partnerships in B.C. The company endeavours to ensure that best practices are identified and transferred from one project to the next, and that British Columbia becomes recognized as an attractive market for public private partnerships.

Objectives

- increase number of qualified bidders in British Columbia partnerships market
- demonstrate benefits of a centre of excellence and expertise

- broaden and strengthen client base
- acquire validation from third parties

Strategies

- implement a stakeholder outreach program to increase visibility and appreciation of Partnerships BC in the broader international market
- participate within and outside British Columbia at conferences and workshops
- host client outreach workshops and forums
- enter into Public Private Partnership Development Agreements with clients in strategic sectors
- develop a presence in the business community to ensure Partnerships BC is recognized as the key catalyst for success in public private partnership projects
- identify and apply best practices from project to project to help ensure continuous improvement
- implement a knowledge management system to capture and incorporate best practices

Performance Measures

- New market participants in B.C.
- Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments
- Annual examples of synergies and process cost reductions
- External validation (e.g. awards, informed media coverage)

Goal 3 – To remain commercially viable and increase productivity

Partnerships BC is committed to ensuring it remains commercially viable on an ongoing basis. Commercial viability requires that revenues meet or exceed expenses, whether or not the Government Services Agreement with the Province is continued.

The ability of Partnerships BC to meet its goals depends on its ability to attract and retain high quality staff. Partnerships BC also recognizes that its ability to remain profitable depends on the efficiency of it employees. In addition to harnessing the corporate learning embodied within the suite of best practices, targeted employee training and professional development has been identified as a means to both improve employee productivity, and contribute to employee satisfaction.

The current Government Services Agreement extends to March 31, 2008, and may or may not be continued. Under the current Agreement, Partnerships BC provides a range of services such as: helping agencies identify and assess public private partnership opportunities; developing provincial public private partnership policy and best practices; and providing other advisory and consulting services directly to the Province and/or clients on an ongoing basis, whose costs are not attributable to a specific project.

Objectives

- continued commercial viability through to 2008/2009
- increased productivity
- implement a restructured multi-year Government Services Contract
- improve professional competencies and attract and retain high quality people
- continued development and enhancement of Human Resource Strategy

Strategies

- ensure that engagement agreements require the payment of fees commensurate with the cost of services provided
- ensure that Partnerships BC's resources and cost structure are appropriate for the expected workload
- prudently manage expenses and internal costs
- structure contracts with milestone payments to develop a stable cash flow
- monitor human resource issues relative to the human resource strategy and adjust as required
- develop internal performance measures for Partnerships BC and its staff which tie individual and collective success to the achievement of milestone events

Performance Measures

- meet Financial Plan targets with a minimum 15% net income margin (pre-variable compensation)
- net income margin
- positive employee satisfaction survey results
- targeted and relevant training – learning budget set at 5% of compensation costs

Summary Table – Performance Measurements, Targets and Benchmarks

Goal 1 – Structure and implement Public-Private Partnership Solutions which serve the public interest	05/06 Forecast	06/07 Targets	07/08 Targets	08/09 Targets
• Public Private Partnership development agreement engagements with Province and/or other agencies	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved
• Revenue Growth	N/A	11%	3%	3%
• Client survey results indicate Partnerships BC performance meets or exceeds client expectations	Target met	85% client satisfaction/	85% client satisfaction and demonstrable improvement in service delivery	85% client satisfaction and demonstrable improvement in service delivery
• Project milestones achieved	All controllable project milestones met	Positive assessment by Board of Directors (on project milestones achieved)	Positive assessment by Board of Directors (on project milestones achieved)	Positive assessment by Board of Directors (on project milestones achieved)
• Publish Value for Money Disclosure Report on all projects after financial close has been reached	100% reports published	100% reports published	100% reports published	100% reports published
• Publish fairness and probity opinions on projects where size and scope warrants fairness review	100% reports published	100% reports published	100% reports published	100% reports published
Goal 2 – Encourage development of the public private partnership market in British Columbia				
• New market participants in B.C.	Number of new market participants	Number of new market participants	Number of new market participants	Number of new market participants
• Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments	Examples published/Revenue from non-BC sources	Examples published/Revenue from non-BC sources	Examples published/Revenue from non-BC sources	Examples published/Revenue from non-BC sources
• Annual examples of synergies and process cost reductions	N/A	Benchmark strategy to be developed	TBD	TBD

Summary Table – Performance Measurements, Targets and Benchmarks

Goal 1 –Structure and Implement Public-Private Partnership Solutions which serve the public interest	05/06 Forecast	06/07 Targets	07/08 Targets	08/09 Targets
• Public Private Partnership development agreement engagements with Province and/or other agencies	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved
• Revenue Growth	N/A	11%	3%	3%
• Client survey results indicate Partnerships BC performance meets or exceeds client expectations	Target met	85% client satisfaction/	85% client satisfaction and demonstrable improvement in service delivery	85% client satisfaction and demonstrable improvement in service delivery
• Project milestones achieved	All controllable project milestones met	Positive assessment by Board of Directors (on project milestones achieved)	Positive assessment by Board of Directors (on project milestones achieved)	Positive assessment by Board of Directors (on project milestones achieved)
• Publish Value for Money Disclosure Report on all projects after financial close has been reached	100% reports published	100% reports published	100% reports published	100% reports published
• Publish fairness and probity opinions on projects where size and scope warrants fairness review	100% reports published	100% reports published	100% reports published	100% reports published
Goal 2 – Encourage development of the public private partnership market in British Columbia				
• New market participants in B.C.	Number of new market participants	Number of new market participants	Number of new market participants	Number of new market participants
• Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments	Examples published/Revenue from non-BC sources	Examples published/Revenue from non-BC sources	Examples published/Revenue from non-BC sources	Examples published/Revenue from non-BC sources
• Annual examples of synergies and process cost reductions	N/A	Benchmark strategy to be developed	TBD	TBD

• External validation (i.e. awards, informed media coverage etc.)	Two awards, significant informed media coverage	Examples from 3rd party validators	Examples from 3rd party validators	Examples from 3rd party validators
Goal 3 – Remain commercially viable and increase productivity				
• Meet financial plan targets (minimum 15% net income margin pre-variable compensation) • Net income margin • Minimize charge-out rates to clients	As of 4th quarter 2005/2006, on target to meet net income goals	15% net income margin (pre-variable compensation), 9% net income margin, and other financial plan targets met or exceeded; charge-out rates unchanged from 2005/06	15% net income margin (pre-variable compensation), 10% net income margin, and other financial plan targets met or exceeded; charge-out rates unchanged from 2006/07	15% net income margin (pre-variable compensation), 17 % net income margin[1], and other financial plan targets met or exceeded. Rate review
• Employee satisfaction	Target met	85% employee satisfaction	85% employee satisfaction	85% employee satisfaction
• Targeted and relevant training	N/A	5% of compensation costs	5% of compensation costs	5% of compensation costs

[1] Reflects completion fee for Abbotsford Regional Hospital and Cancer Centre project in 2008/2009

• External validation (i.e. awards, informed media coverage etc.)	Two awards, significant informed media coverage	Examples from 3rd party validators	Examples from 3rd party validators	Examples from 3rd party validators
Goal 3 – Remain commercially viable and increase productivity				
• Meet financial plan targets (minimum 15% net income margin pre-variable compensation) • Net income margin • Minimize charge-out rates to clients	As of 4th quarter 2005/2006, on target to meet net income goals	15% net income margin (pre-variable compensation), 9% net income margin, and other financial plan targets met or exceeded; charge-out rates unchanged from 2005/06	15% net income margin (pre-variable compensation), 10% net income margin, and other financial plan targets met or exceeded; charge-out rates unchanged from 2006/07	15% net income margin (pre-variable compensation), 17 % net income margin[1], and other financial plan targets met or exceeded. Rate review
• Employee satisfaction	Target met	85% employee satisfaction	85% employee satisfaction	85% employee satisfaction
• Targeted and relevant training	N/A	5% of compensation costs	5% of compensation costs	5% of compensation costs

[1] Reflects completion fee for Abbotsford Regional Hospital and Cancer Centre project in 2008/2009

Linkages to Government Strategic Priorities

The Government outlined five goals in the February 2005 Throne Speech, focusing on education and literacy, health and physical fitness, support for persons with disabilities, special needs, children at risk and seniors, sustainable environmental management, and job creation, detailed as follows:

Goal 1: To make B.C. the best educated, most literate jurisdiction on the continent.
Goal 2: To lead the way in North America in healthy living and physical fitness.
Goal 3: To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.
Goal 4: To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
Goal 5: To create more jobs per capita than anywhere else in Canada.

Public private partnerships provide a foundation for all of these goals by delivering major capital projects that meet public needs at minimum lifecycle cost and with an optimum sharing of risks between the public and private sectors.

More specifically, Partnerships BC supports goals one through four by providing necessary infrastructure to B.C. as quickly and efficiently as possible. Meeting provincial infrastructure needs in general is essential to a strong provincial economy. For example, an up-to-date and well maintained transportation system helps keep goods, services and people moving efficiently and safely. Road improvements, such as the Sea to Sky Highway Improvement Project and the Kicking Horse Canyon (Phase 2) project also support sector development in tourism and resort development.

Partnerships BC projects directly support goal five by supporting economic growth in B.C. and encouraging and facilitating private sector involvement in the delivery of critical public sector infrastructure and services. In addition, Partnerships BC projects support the creation of direct and indirect employment, attracting foreign capital and investment, and transferring appropriate risk to the private sector. Several firms providing advisory, construction and financing services to the public private partnerships market have opened up British Columbia based offices since Partnerships BC's establishment.

Resource Summary

Summary Financial Outlook

Partnerships British Columbia Inc.
Financial Statements for Service Plan
For the Years Ended March 31, 2007 to 2010

Partnerships British Columbia Inc.
Fiscal 2005/06 Forecast and Fiscal 2006/07 to 2008/09 Budget

	2004/05 Actual	2005/06 Reforecast	2006/07 Budget	2007/08 Budget	2008/09 Budget
REVENUE					
Fees for Service	$ 4,449,301	$ 6,132,824	$ 6,988,552	$ 7,298,640	$ 8,516,336
Provincial Government Revenue	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Other Revenue	120,130	142,525	142,500	142,500	142,500
Project Recoveries	10,161,385	5,425,788	6,938,500	7,436,780	2,732,111
TOTAL REVENUE	16,530,816	13,501,137	15,869,552	16,677,920	13,190,947
EXPENDITURES					
Salaries and Benefits	4,372,481	5,017,881	6,013,440	6,125,491	6,510,153
Professional Services	359,850	416,967	525,000	551,850	564,056
Administration	1,106,012	1,147,851	1,246,733	1,213,905	1,204,961
Corporate Relations	73,594	87,366	115,000	118,000	121,090
Amortization	147,758	145,137	235,259	347,938	318,045
TOTAL EXPENDITURES	6,059,695	6,815,202	8,135,431	8,357,183	8,718,305
Project Recoverable Expenses	10,181,605	5,425,788	6,938,500	7,436,780	2,732,111
NET INCOME	$ 289,516	$ 1,260,147	$ 795,621	$ 883,957	$ 1,740,531
NET INCOME (PRE-VARIABLE COMPENSATION)	$ 834,110	$ 1,931,473	$ 1,640,484	$ 1,787,961	$ 2,705,440
FTEs	31	38	38	38	38
Capital Expenditures	$ 63,849	$ 178,360	$ 358,100	$ 205,200	$ 230,300

Key Forecast Assumptions

In preparing its financial statements, Partnerships BC has based its calculations on the following assumptions:

- revenue and expenditures are estimates based on a forecast of project activity using the best available information available to Partnerships BC;
- project expenditures will fluctuate significantly from year to year; and
- the majority of expenditures will be reimbursable from third parties during the fiscal year in which they occur and will not materially affect the bottom line.

Risks and Sensitivities

Risks, in general, have been discussed within the planning context of this document; however, risks and sensitivities pertaining specifically to Partnerships BC's financial outlook are as follows:

- interest rates – Partnerships BC does not forecast significant interest income and therefore the fluctuation of interest rates is not expected to have a significant impact on earnings. However, it may affect the ability of third parties to cover costs if they are primarily using debt financing;
- performance of the economy – the overall performance of the British Columbian, Canadian and North American economies may have some impact on demand for construction and debt; and,
- inflation – inflation in some sectors may or may not impact Partnerships BC's work flow and project revenue.

Appendix 1: Changes to Goals and Measures

* Bold text indicates changes from previous years.

2005–2006 Service Plan (Update)	2006-2007 Service Plan	Comments
Goal 1: To pursue, structure and implement public private partnerships	**Goal 1 : Structure and Implement Public-Private Partnership Solutions which serve the public interest**	**Consolidation of previous goals incorporates "pursuit", "client satisfaction" and "public interest" measures.**
Measures: • Public private partnership development agreement engagements with Province and/or agencies • Positive assessment by Board of Directors • Pilot Engagements in key sectors	Measures: • Public private partnership development agreement engagements with Province and/or agencies • **Revenue Growth** • Positive assessment by Board of Directors (on project milestones achieved) • Client Survey results indicate Partnerships BC performance meets or exceeds targets • Publish Value for Money Disclosure Report on all projects after financial close has been reached • Publish fairness and probity opinions on projects where size and scope warrants review.	Measures drawn from previous corporate goals subsumed by this goal Revenue growth measure intended to provide quantitative assessment of partnerships development
Goal 2: Satisfy clients		
Measure: • Client Survey results indicate Partnerships BC performance meets or exceeds client expectations		
Goal 4: Preserve the public interest and ensure competitive, fair and transparent processes		
Measure: • Publish Value for Money Reports for Money Disclosure Report on all projects after financial close has been reached • Publish fairness and probity reports on project where size and scope warrants fairness review		
Goal 5: Be widely recognized as a centre of excellence for innovation, leadership and expertise in public private partnerships	**Goal 2: Encourage development of the partnerships market in British Columbia**	**Goal renamed for 2006/2007 – serves long-term public interest by creating a more competitive environment for public private partnership solutions.**
Measures: • New market participants in B.C. • Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments • Revenue generation from clients outside of the provincial government	Measures: • New market participants in British Columbia • Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments • Annual examples of synergies and process cost reductions • External validation, e.g. awards, informed media coverage	Extra-provincial revenue measure removed as it doesn't directly reflect market growth in British Columbia. Baseline to be established Indicator of market development in British Columbia.

2005–2006 Service Plan (Update)	2006-2007 Service Plan	Comments
Goal 3: Become commercially viable	**Goal 3: Remain Commercially Viable and increase productivity**	**PBC has become commercially viable**
Measures: • Meet financial plan targets in 2005/06 • Equity exceeds six months operating expenses	• Meet financial plan targets in 2005/06 **(minimum 15% net income** margin pre-variable compensation, net income margin) • **Positive employee satisfaction survey results (85%)** • **Targeted and relevant training programs developed – 5% of compensation costs.**	Net income target set to reflect shareholder need to balance commercial viability with need to manage project costs Equity target removed as it was considered not to be a meaningful measure in the context of Partnerships BC's revenue context Quantification of human resources measures is intended to reflect the "increase productivity" aspect of this goal
Goal 6: Build and retain the partnerships BC team		
Measures: • Investment in employee training and improvement – set benchmark • Employee satisfaction – set benchmark		

Appendix 2: Other Operating Segments

Partnerships BC incorporated the Abbotsford Hospital and Cancer Centre Inc. as a subsidiary corporation in 2003/04. Given the number of public sector agencies involved in the Abbotsford Regional Hospital and Cancer Centre project, it was determined that it would be beneficial to create a single public sector entity to contract with the private sector. The mandate of the entity is to ensure that the project is completed on time and on budget.

Abbotsford Hospital and Cancer Centre Inc. concluded the competitive selection process for the project on December 7, 2004, when it reached financial close on a project agreement with private partner Access Health Abbotsford. Partnerships BC will continue to retain responsibility for the project and hold the shares of the company until the new facility is built and commissioned. At that point, the shares will be transferred to the Fraser Health Authority and Provincial Health Services Authority for the 30 year operating phase of the project.

Construction of the Abbotsford Regional Hospital and Cancer Centre started in December 2004, with design and development being completed in November of 2005. The project is still on schedule and the facility is expected to be open and operational in 2008. Partnerships BC may in future create subsidiary corporations in its normal course of business as part of structuring optimal arrangements between public sector clients and private investors.